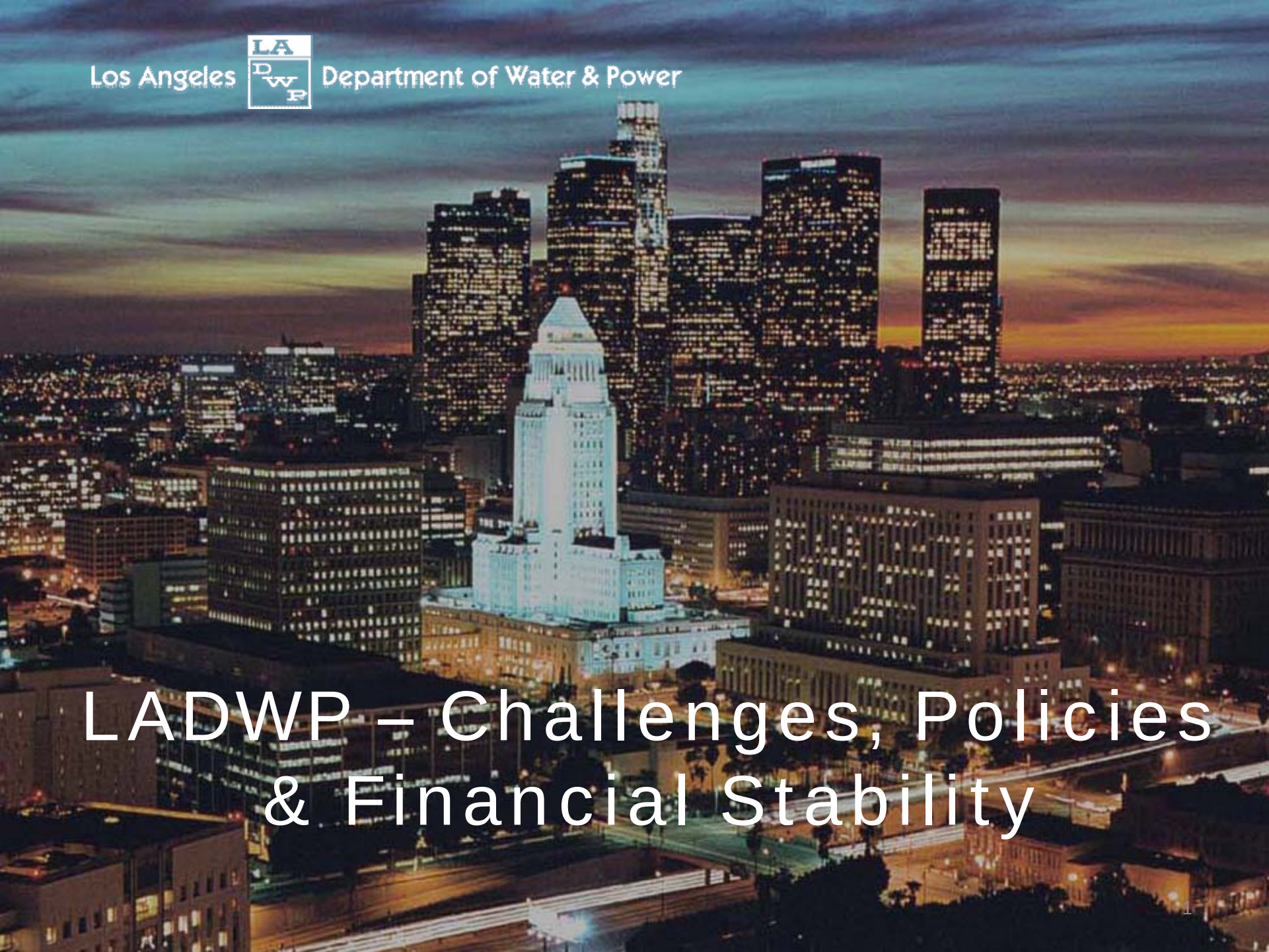


LADWP – Challenges, Policies & Financial Stability

Presentation Outline

LADWP Overview

Ratepayer Advocate

Water and Energy Industry Transformation

Service Reliability Remains our Priority

A Sound Financial Picture for LADWP

Upcoming Public Input Process

We know we are working for you 24/7.

We provide safe drinking water and reliable electrical power to 4 million people, every day.


We deliver over 450 million gallons
of water every day.


We provide Los Angeles with approximately
77 million kilowatt-hours of electricity on a
typical day, and double that on hot summer days.


We are leading the state in the transition to green energy.
540 wind turbines
10 million square feet of solar panels
146 megawatts of small hydropower plants

To protect public health and natural resources, we check for over 200 contaminants by running more than 240,000 water quality tests a year.

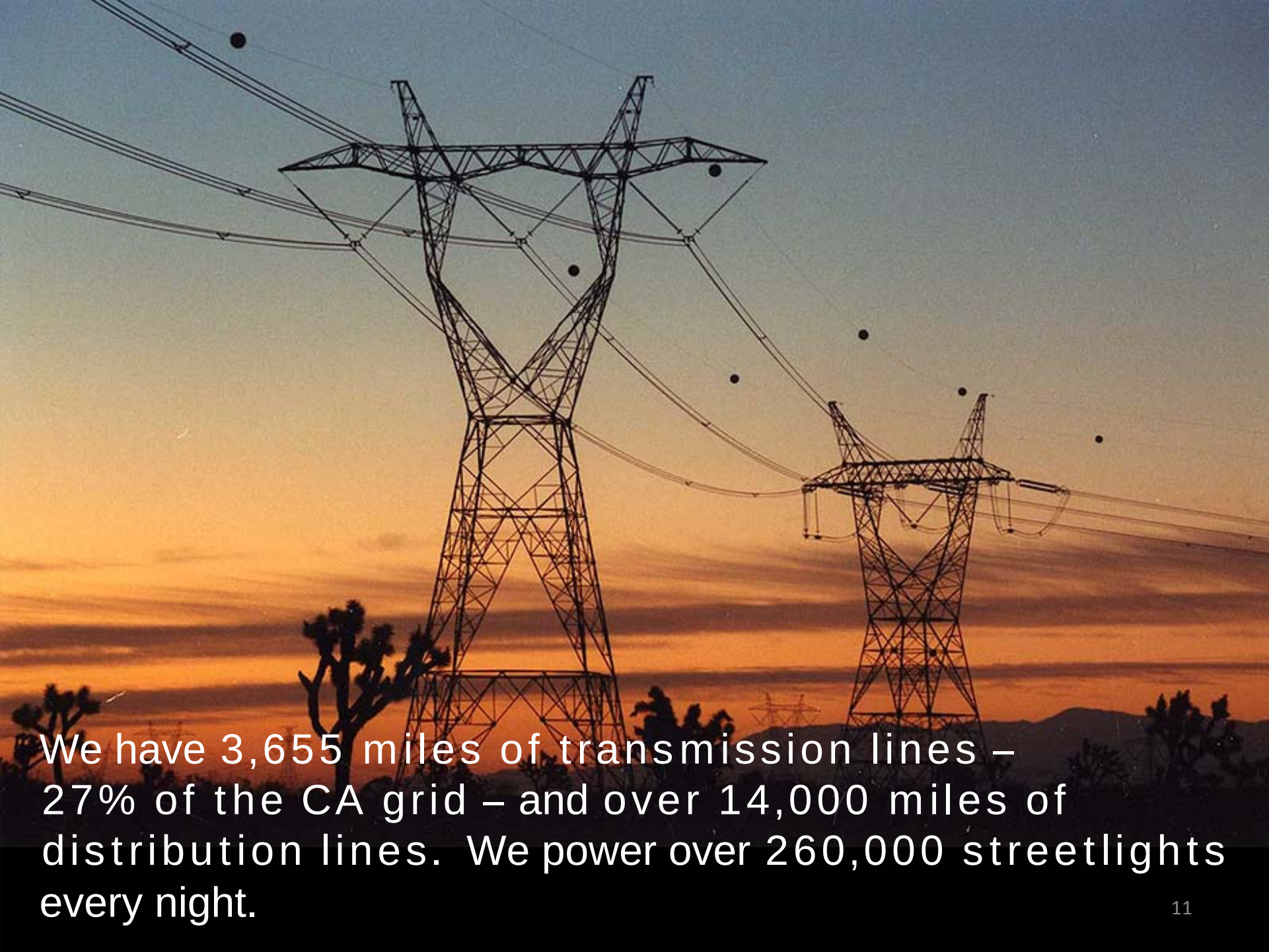

We innovate
to save you money.

LA's per capita water use is the lowest of any major city.

Encouraged to conserve, Angelenos saved more than 70 billion gallons over the last two years.

Thank you!

We have more than 7,200 miles of drinking water pipelines **in the City of L.A. They have to be kept in good condition to prevent breaks, spills and contamination.**



We have 3,655 miles of transmission lines – 27% of the CA grid – and over 14,000 miles of distribution lines. We power over 260,000 streetlights every night.

L.A. has spoken and mandated a Rate Payer Advocate.
LADWP supports this addition.

We **support a Rate Payer Advocate immediately with funding, information and cooperation.**

The water and power industry is undergoing a complete transformation and LADWP is at the epicenter.

New laws change how we provide service and what our Power System needs to be

72% of electric generation must be replaced

33% new renewable energy

No more coal in CA
Currently 40% of City's energy is coal

No Ocean Water Cooling
3 of 4 local LADWP power plants use ocean water

New regulations and mandates also are changing our Water System

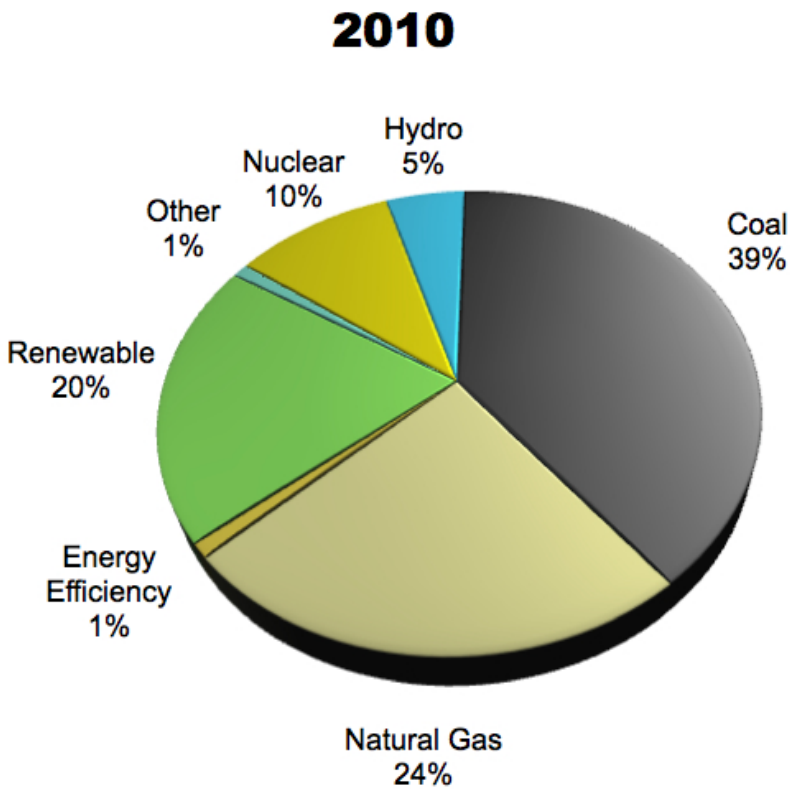
No more open reservoirs

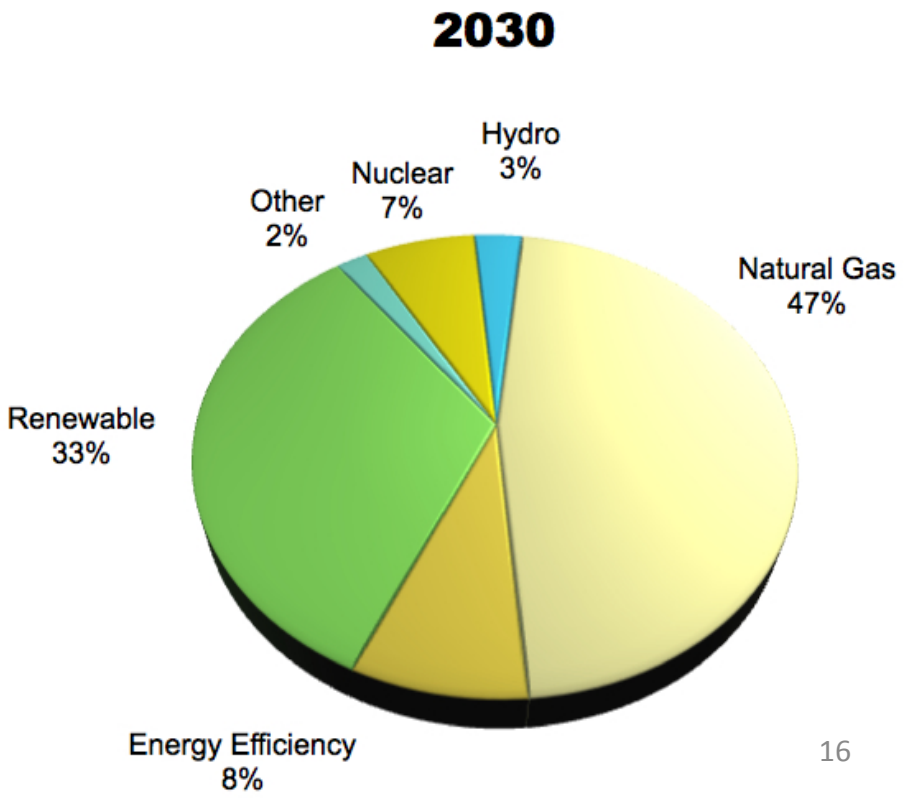
Owens Lake dust mitigation

Conversion from chlorine to chloramine

20% conservation by 2020

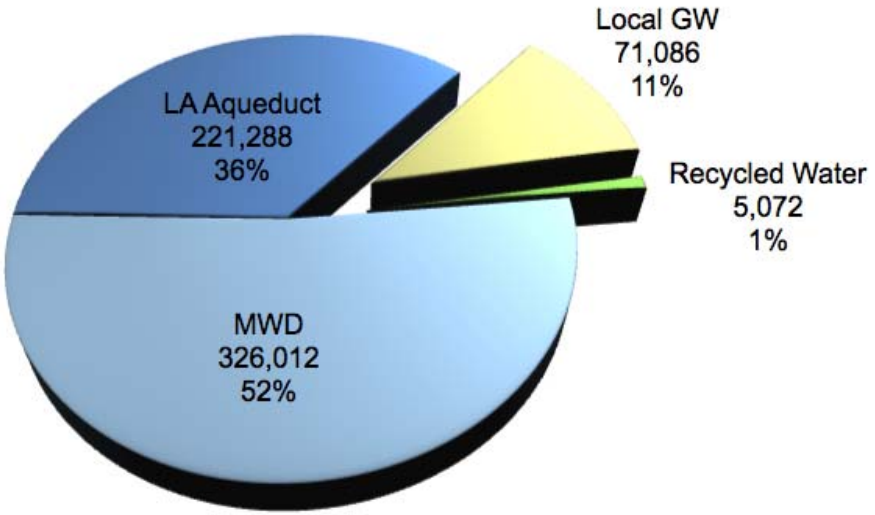
LADWP Energy Supplies Today and in the Future



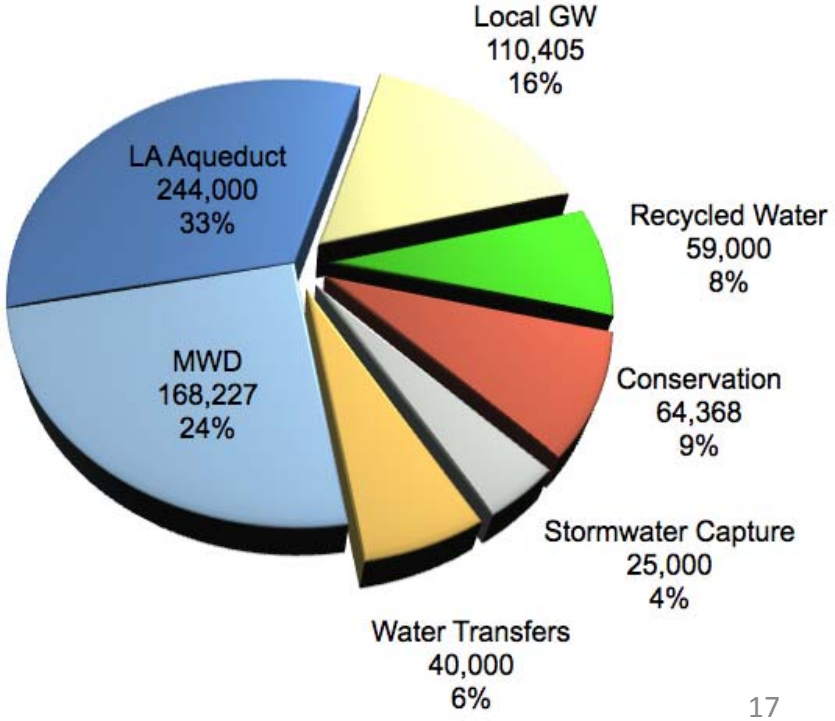


LADWP Water Supplies Today and in the Future

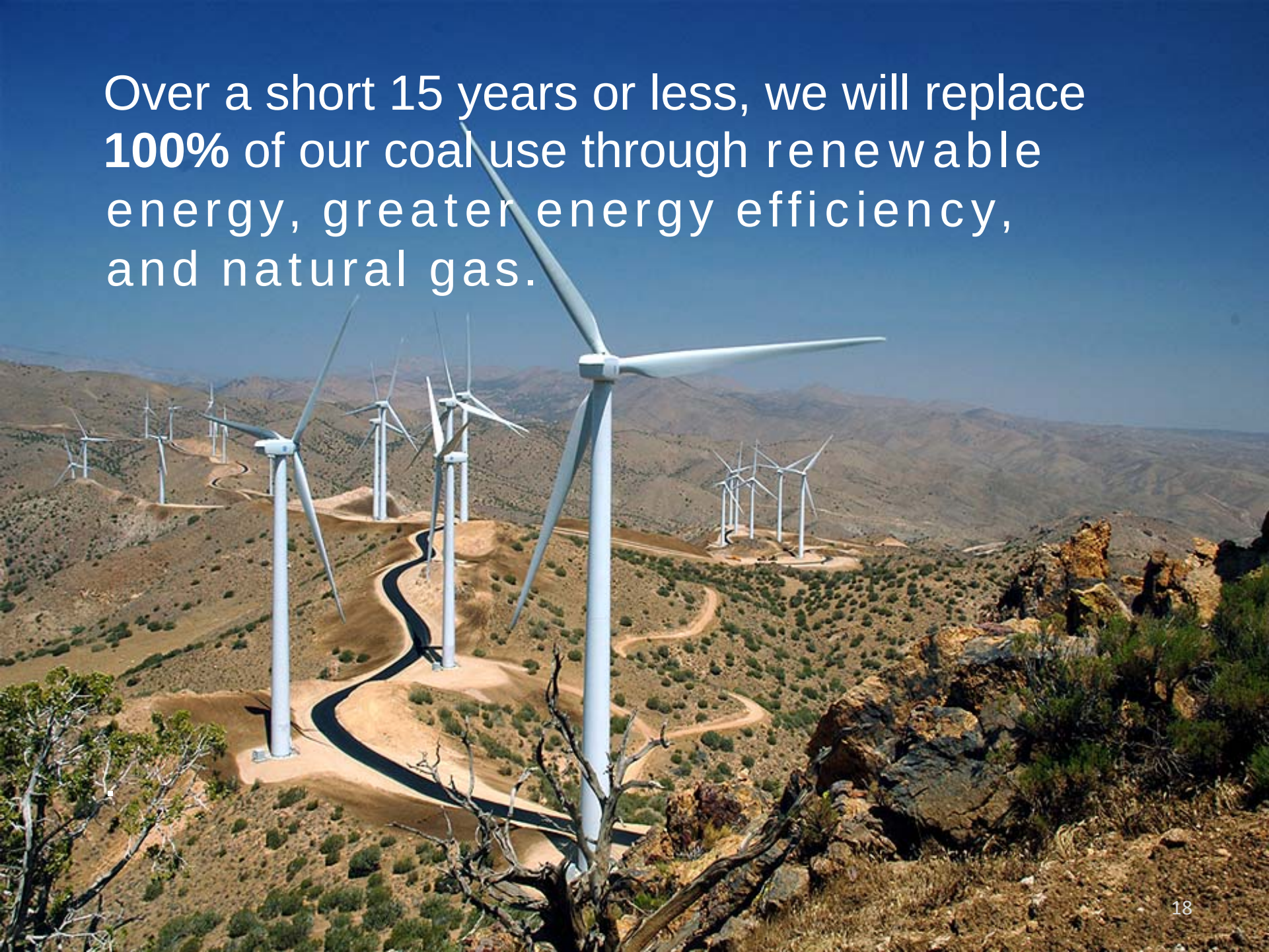
FY 2006 – 2010
Average Total: 621,700 AFY*



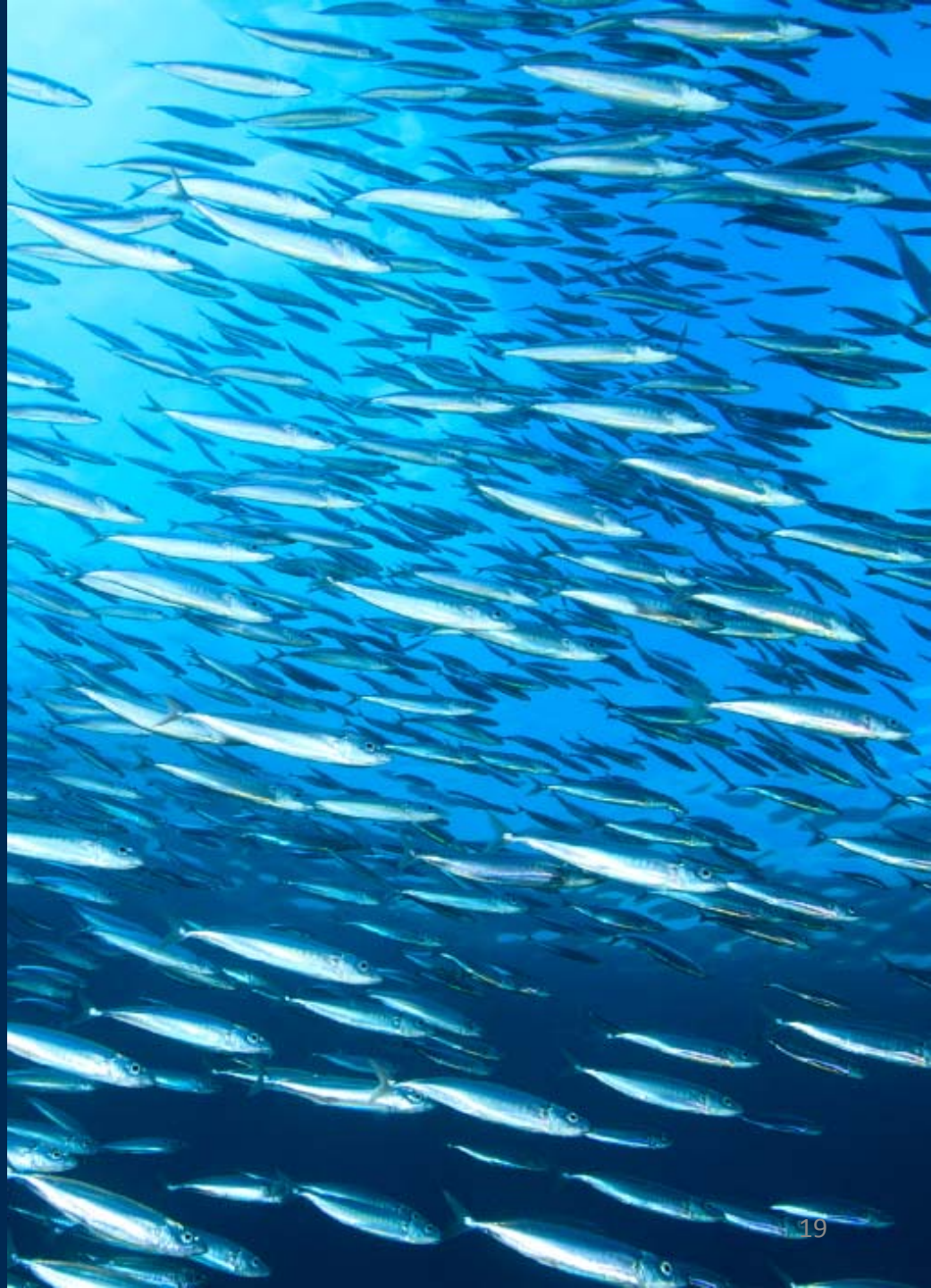
FY 2034 – 2035
Projected Total: 646,632 AFY*
(plus 64,368 AFY new conservation = 711,000)



* Includes 100,000 AFY existing conservation


Over a short 15 years or less, we will replace **100%** of our coal use through renewable energy, greater energy efficiency, and natural gas.

We are totally eliminating ocean water cooling at our coastal power plants to protect marine habitats.




We are either covering or removing
all of our open reservoirs from
service to meet federal safe drinking
water standards.

We are working closely with sister agencies, departments, and bureaus to **integrate the planning of drinking water, stormwater, and wastewater facilities as those organizations face rapid change, too.**

Owens Valley

90% of dust on Owens Lake is now controlled

Restored Lower Owens River

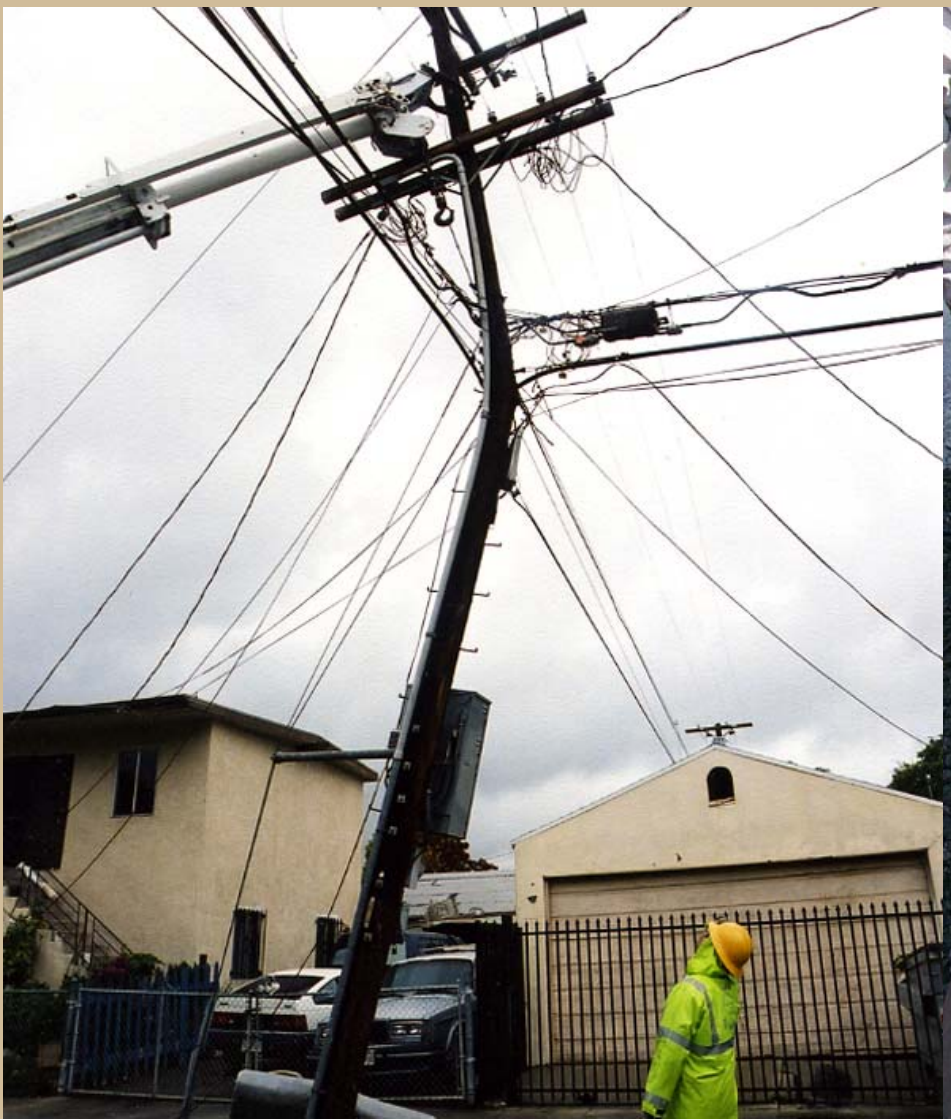
Approximately $1 billion spent to date

$175 million additional capital required in the next 2 ½ years

Increasing our local water supplies can reduce by over half our dependence on purchasing imported water.

Achieving this transformation requires financial commitment.

Our Water and Power Systems are over 100 years old. Age takes its toll



We have an aging water distribution system

The average lifespan of a water main is less than 100 years

About 700,000 feet of our pipes are older than 100 years

With our current budget we can replace our pipelines only once every 400 years

This is not sustainable


Our power transmission system is getting older too.
With our current budget, we can replace our power poles once every 147 years and cables every 159 years.
This is not sustainable


When our water pipelines and power lines deteriorate, we are all at risk of disrupted services and costly emergency repairs.

Financial Background

The utility industry is very capital intensive

Issuing bonds is an essential part of DWP's financial planning so customers rates are reasonable

This is similar to taking out a mortgage to buy a house

In the last two years DWP has borrowed over $2.5 billion and more is needed to continue the transformation.

Financial Challenges

Water and Power combined need to invest $1.5 billion each year over the next 5 years to provide safe and reliable service, and to pay for legal mandates

The cost of financing (the mortgage) on these investments is going to require DWP to increase its revenue

DWP needs to maintain adequate financial reserves to enable this continued major financing

Water System

DWP's Water System has an $830 million annual budget and has traditionally borrowed $250 million per year

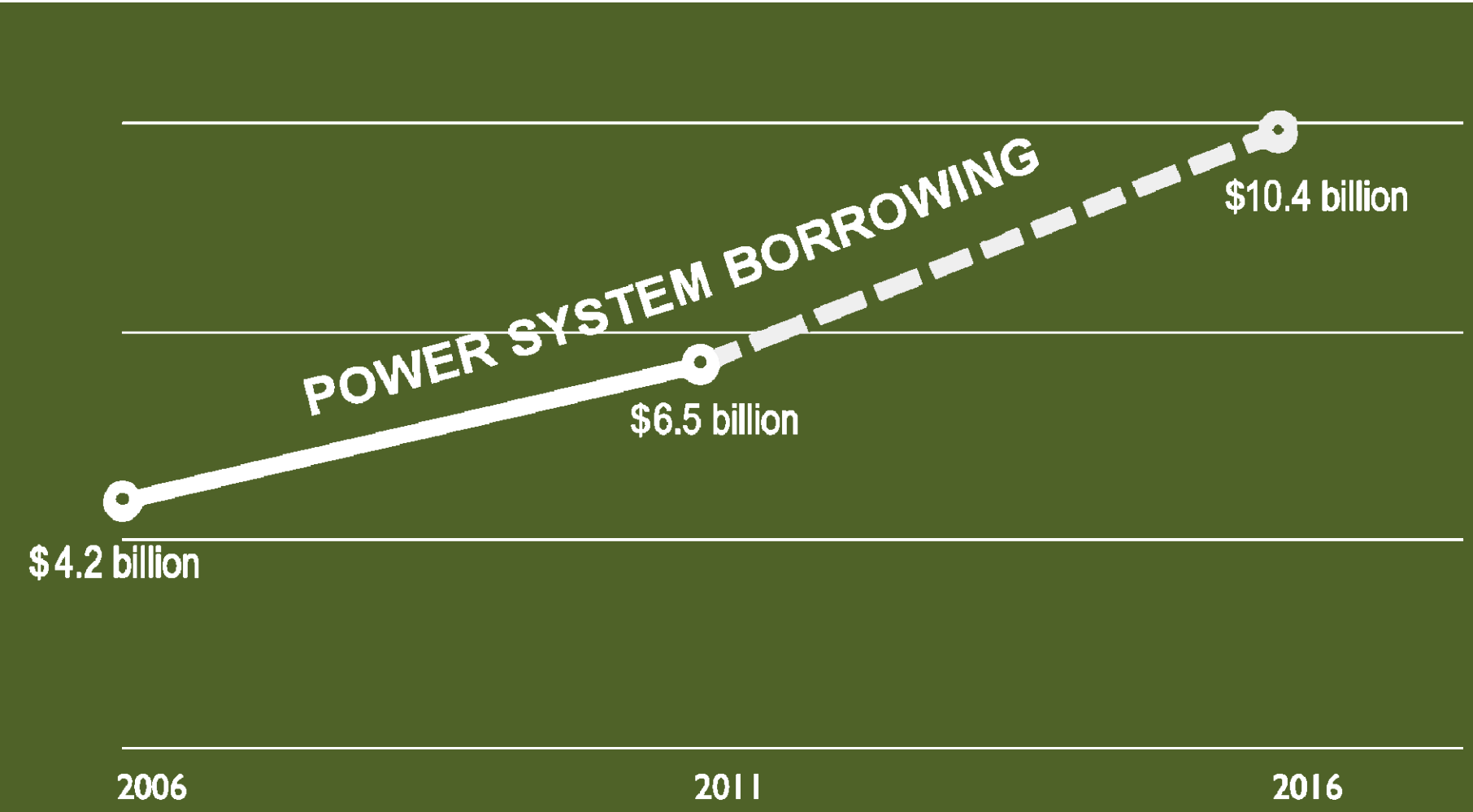
In the last two years the DWP Water System has borrowed nearly $1 billion.

To maintain reliable service and pay for legal mandates we need to borrow $1.1 billion over the next four years.

This is not sustainable without more revenue

Power System

$3.3 billion total annual budget



Previous Year Programmatic Budget Cuts

Budget cuts were made in the following areas:

Renewable Energy Projects

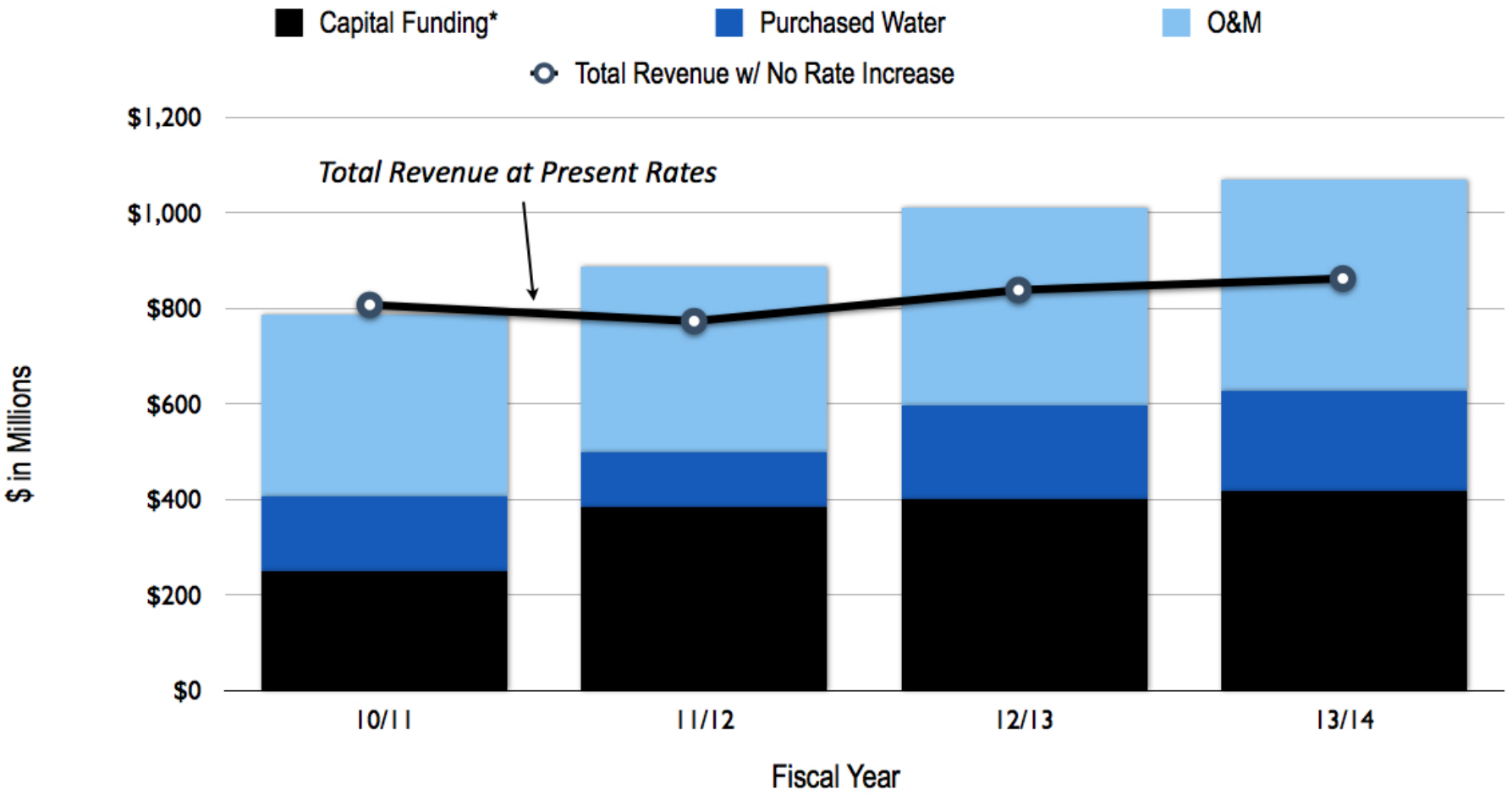
Energy Efficiency

Water Capital, Operations & Maintenance

We clamped down to save $440 million in basic business costs out of our budget over the next three years.

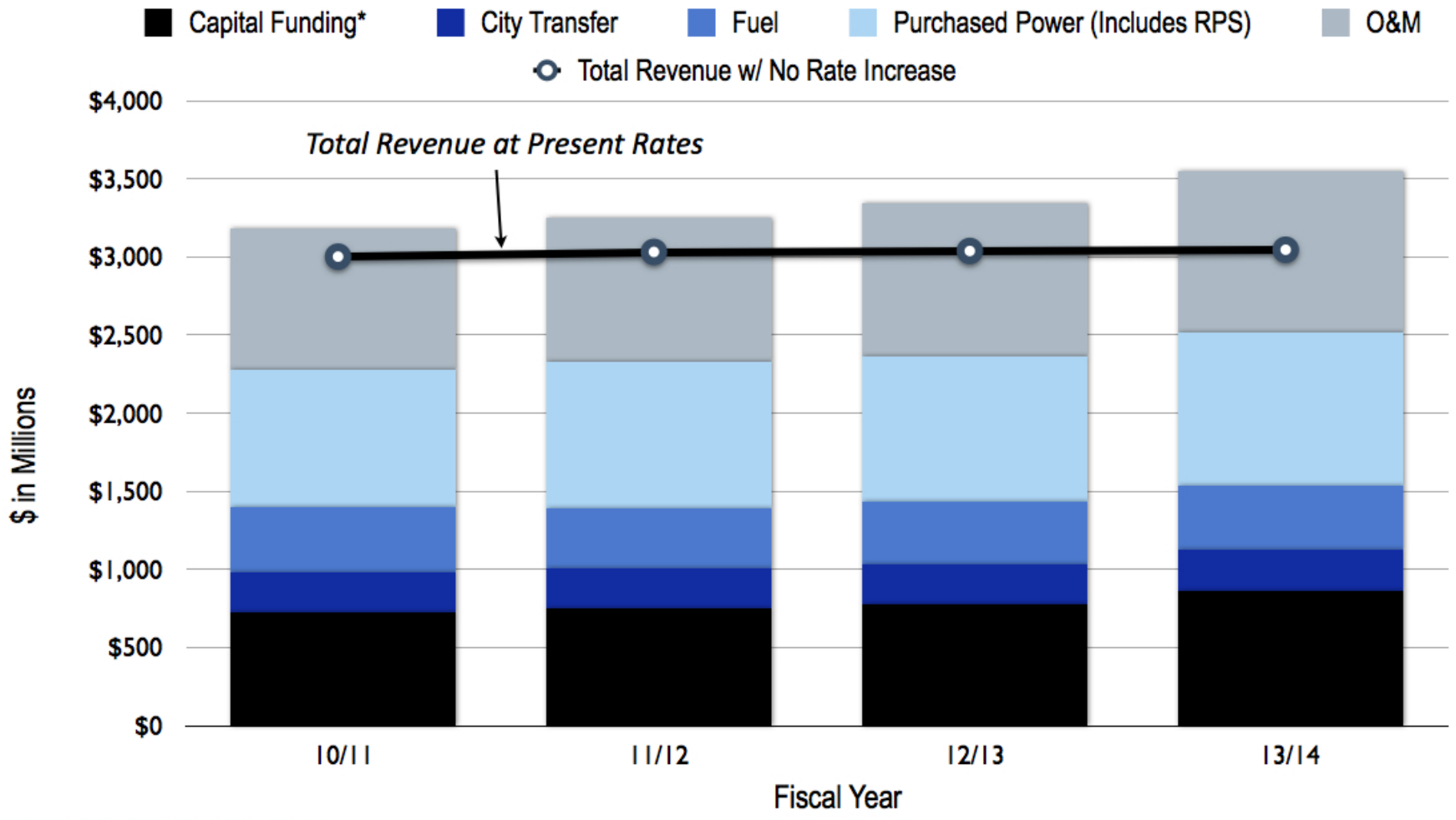
- Hiring freeze and staff reductions
- Reduced overtime
- More efficient operations
- Reduced capital expenditures

Water Budget Requirement for Basic Business Needs



* Capital Funding includes depreciation and net interest expense

Power Budget Requirement for Basic Business Needs



* Capital Funding includes depreciation and net interest expense

We are stretching our resources, but time and transformation require more money.

Capital costs of Water Regulatory Mandates Basic Business Needs

	2011-12	5-year total
Total Cost of Mandates	$285 Million	$1.4 Billion

Examples:

Owens Lake Dust Mitigation	$62 Million	$196 Million
Reservoir Covers & Bypass	$148 Million	$811 Million
Water Treatment Facilities	$71 Million	$351 Million

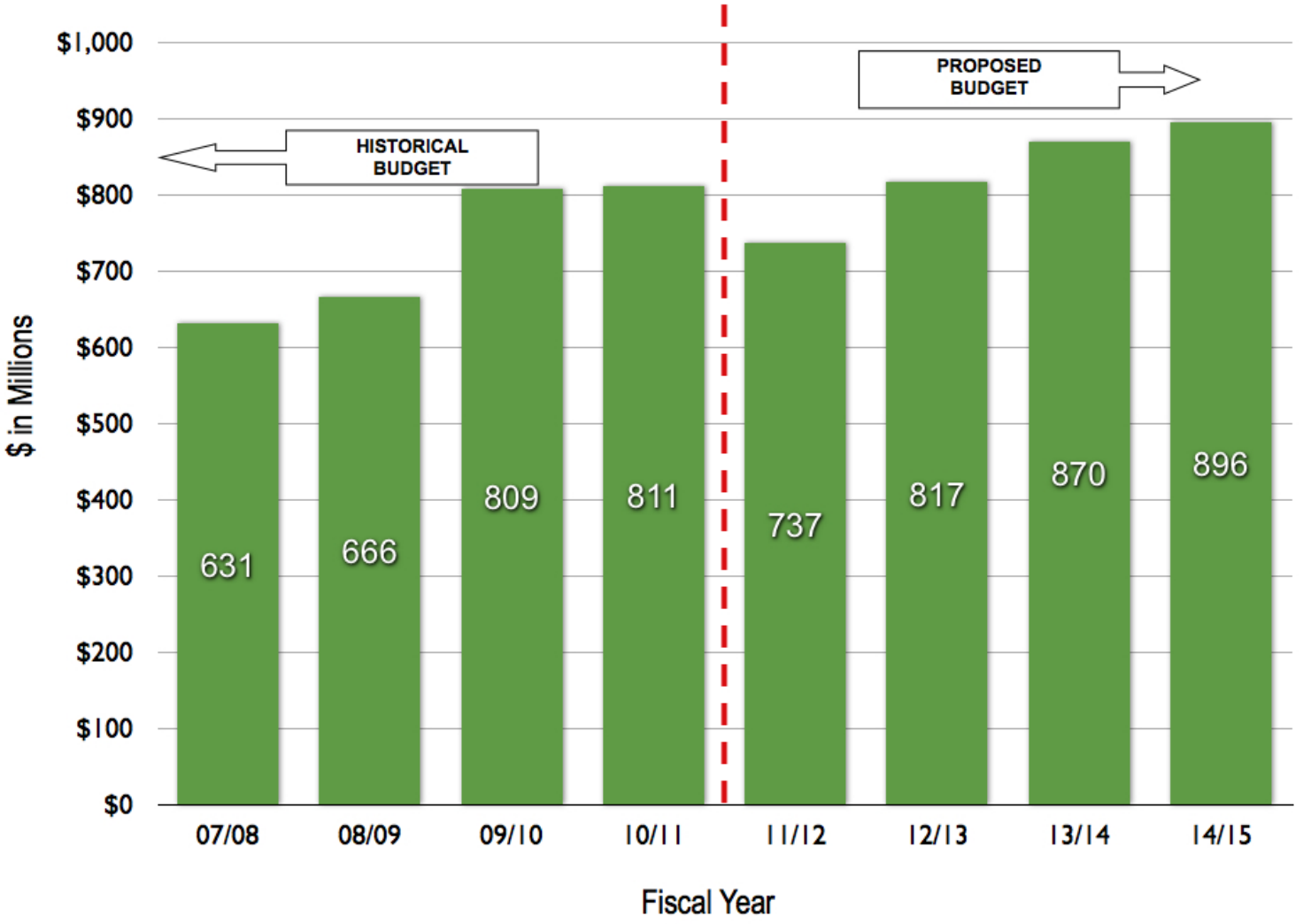
Capital costs of Power Regulatory Mandates Basic Business Needs

	2011-12	5-year total
Total Cost of Mandates	$593 Million	$3.3 Billion

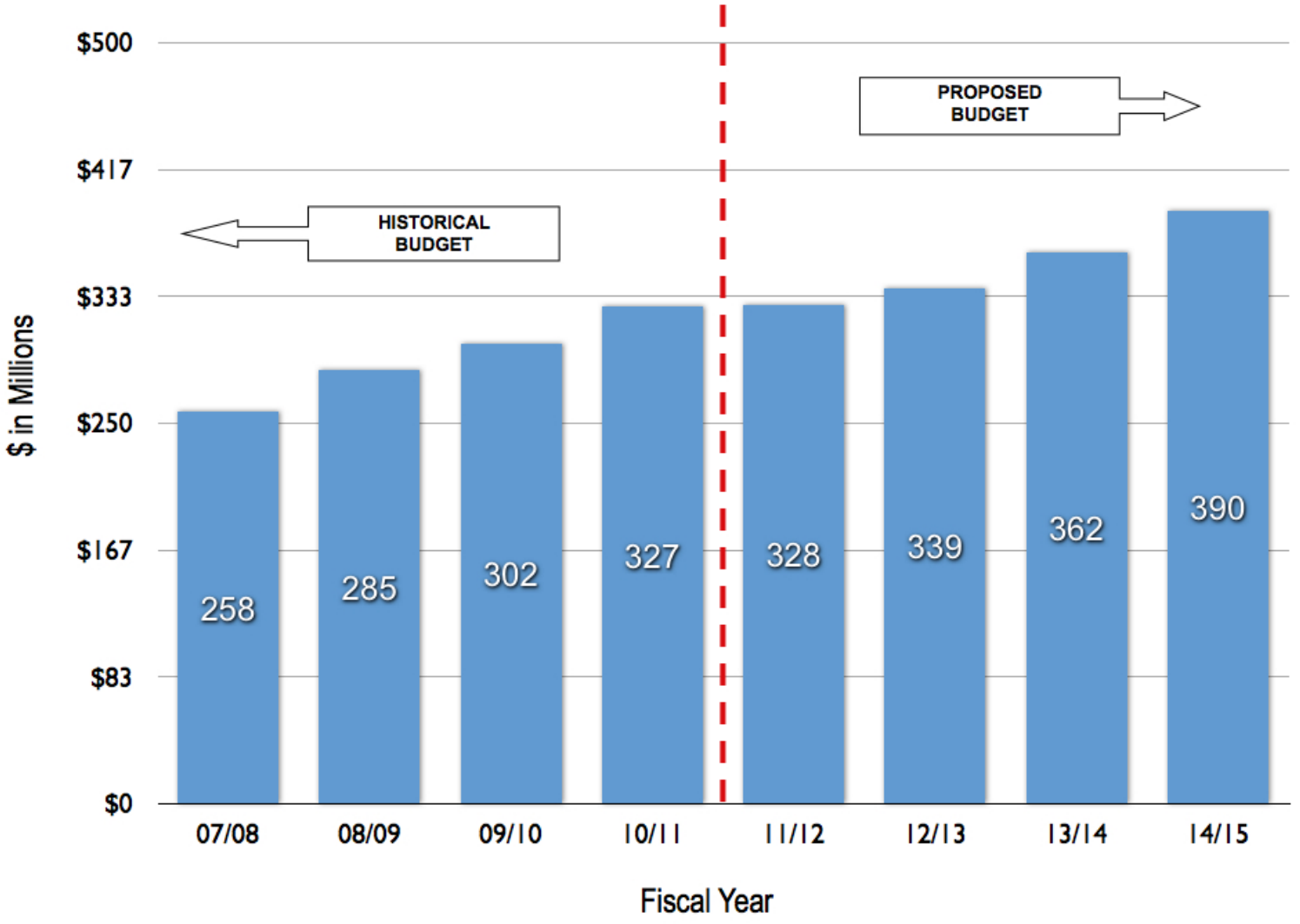
Examples:

Solar	$163 Million	$391 Million
Other RPS	$28 Million	$1.7 Billion
Once Through Cooling	$403 Million	$1.3 Billion

Power Reliability Program Budget
Basic Needs



Water Reliability Program Budget
Basic Needs



Basic business costs for our Water System are going to be higher

	Avg 3-Year Annual Increased Cost
Regulatory Mandates	**$13 M**
Local Water Supply	**$7 M**
Protecting Ability to Borrow	**$60 M**
Inflation	**$23 M**
Pensions	**$23 M**
Purchased Water	**$21 M**
Reliability Investments	**$-12 M**
Water Conservation	**$-16 M**
Net Total Increase	$119 M

Basic business costs for our Power System will be higher too

	Avg 3-Year Annual Increased Cost
Regulatory Mandates	**$99M**
Energy Efficiency	**$25M**
Solar Incentive Program	**$10M**
Fuel Price	**$23M**
Protecting Ability to Borrow	**$175M**
Inflation	**$60M**
Pensions	**$55M**
Reliability	**$-133M**
Net Total Increase	$314 M

The basic levels of investments still do not cover critical strategic objectives in our Power Integrated Resources Plan or our Urban Water Management Plan.

A commitment to invest now in future reliability, efficiency, and sustainability is needed.

Strategic Water Investments

- Increase Pipeline Replacement
- Conserve more water
- Expand recycled water & storm water capture
- Clean up groundwater

Strategic Power Investments

- More energy efficiency
- Balanced renewable energy mix
- Increase reliability
- Begin coal replacement

Investing in the future of L.A.'s water means putting resources towards increasing our local water supplies – recycled water, groundwater cleanup, stormwater capture and reuse, water conservation – and cutting back on hundreds of millions of dollars spent annually for imported water.

Strategic water investments

Pipeline & Related Infrastructure Replacement

Increase rate of replacements to once every 250 years

$37M

Local Water Supply

Expand recycled water & groundwater replenishment

Enhance stormwater capture

Increase groundwater cleanup

$30M

Water Conservation

Achieve goal of 22,000 AFY in new water conservation by 2020

Continue & enhance long-term conservation programs

$16M

3-year total additional cost

Strategic power investments

Energy Efficiency

Expand commercial customer program

Add to consumer rebate menu

Renewable Portfolio Standard

Balanced renewable energy mix

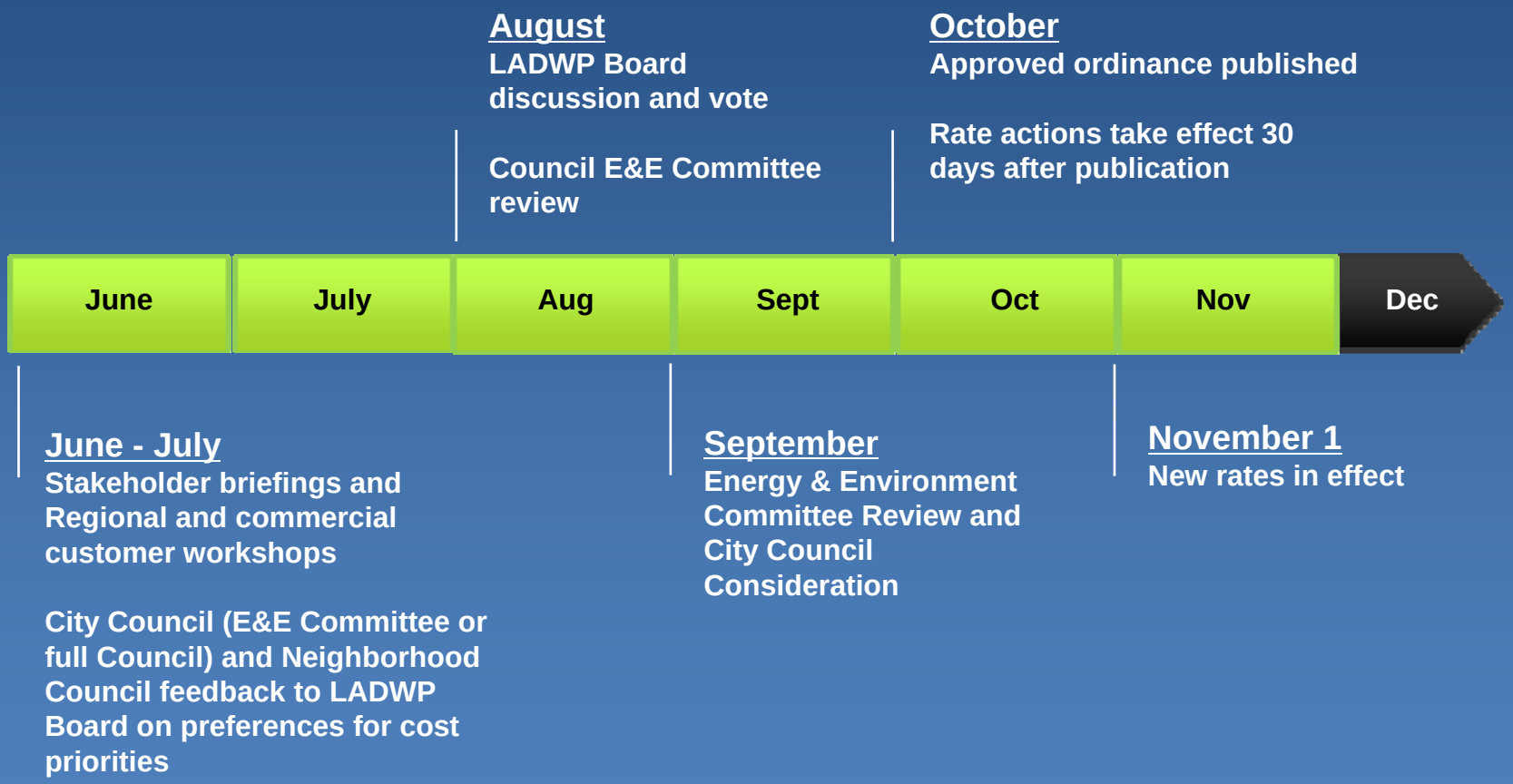
Power Reliability

Increase replacements:
- Poles
- Cables

Early Coal Replacement

3-Year total additional cost

Revenue and Rate Review Process

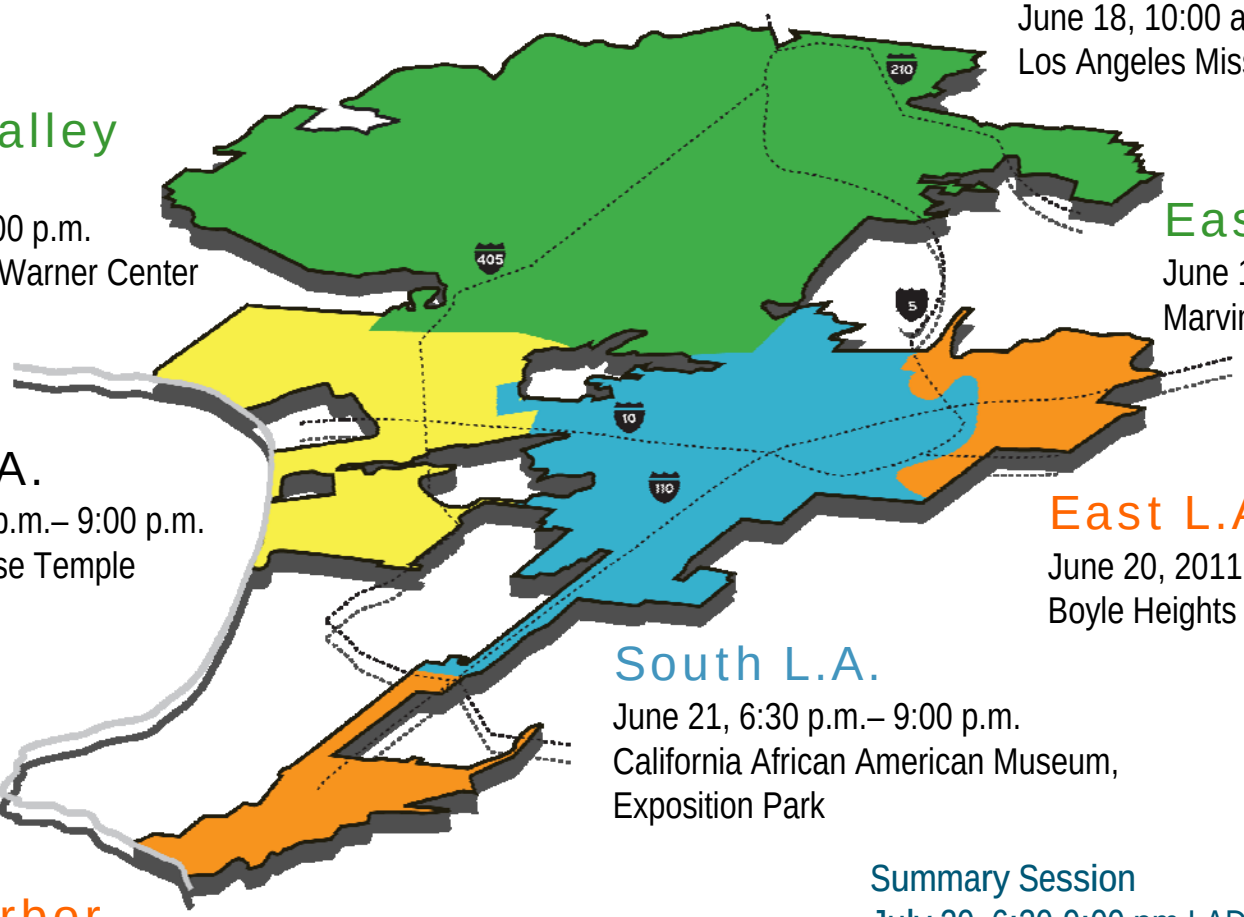


Dates & Locations

Community Collaboration Sessions

North Valley
Special Workshop for
Neighborhood Councils
June 18, 10:00 am – 12:30 p.m.
Los Angeles Mission College

West Valley
June 16
6:30 p.m.– 9:00 p.m.
Holiday Inn – Warner Center



East Valley
June 15, 6:30 p.m.– 9:00 p.m.
Marvin Braude Constituent Center

West L.A.
June 22, 6:30 p.m.– 9:00 p.m.
Stephen S. Wise Temple

East L.A.
June 20, 2011, 6 p.m. – 8:30 p.m.
Boyle Heights Technology Youth Center

South L.A.
June 21, 6:30 p.m.– 9:00 p.m.
California African American Museum,
Exposition Park

Harbor
June 27, 6:30 p.m. – 9:00 p.m.
Crowne Plaza Los Angeles Harbor
601 S. Palos Verdes St., San Pedro 90731

Summary Session
July 20, 6:30-9:00 pm LADWP Headquarters

Special Workshop for Neighborhood Councils
July 23, Location TBD

The dialogue is just beginning.

What do you want for L.A.'s water and energy future?

Los Angeles Department of Water & Power